Increase in savings and investment for higher growth rate

4244. SHRI VIJAY J. DARDA: Will the Minister of FINANCE be pleased to state:

(a) how Government propose to stimulate savings, investment and employment in the manufacturing sector, widening the tax base by remodeling tax rates, removing barriers to the growth of agriculture, agro-processing and building infrastructure, so that Indian economy gets quicker boost;

(b) whether the estimated GDP for 2004-05 has been achieved; and

(c) which are the major constituents which contributed significantly towards achieving higher GDP?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The Fiscal Responsibility and Budget Management (FRBM) Act mandates the Government to eliminate revenue deficit by March, 2009. The elimination of revenue deficit is expected to improve public sector savings, which are currently negative. Various measures are being taken for boosting investment in manufacturing. Foreign direct investment policy has been liberalized. Tariffs have been lowered, taxes have been rationalized and tax base widened. Recognizing the need for greater impetus to the manufacturing sector, the Government has set up the Investment Commission and National Manufacturing Competitiveness Council.

The Union Budget for 2005-06 has proposed a number of initiatives such as emphasis on enhanced public investment, diversifying agriculture, promotion of public-private partnership for infrastructure development, liberalization of Foreign Direct Investment (FDI) and facilitating growth in industries and services sector through an enabling policy environment. The various measures are expected to have a favourable impact on the growth of the economy.

(b) and (c) The advance estimates released by Central Statistical Organisation (CSO) place the overall real GDP growth rate at 6.9 per cent in 2004-05 with sectoral growth rates of 1.1 per cent, 7.8 per cent and 8.9 per cent in agriculture and allied, industry and services respectively. The final growth figures for 2004-05 has not been released by the CSO.